



Montana Department of Transportation
PO Box 201001
Helena, MT 59620-1001

MEMORANDUM

To: See Distribution
From: Mark Wissinger, P.E.
Construction Engineer
Date: October 23, 2006
Subject: Supplemental Specification Revision: 109.11 Fuel Price Adjustment

The Construction Administration Services Bureau is proposing revisions to Standard Specification, 109.11 Fuel Price Adjustment. Following the Standard Specification Revision Process outlined in the Construction Engineer's Memorandum dated January 9, 2002 the following information is provided.

1. Standard Specification, 109.11 will be modified.
2. The Proposed Draft of the change is attached along with this memorandum.
3. Revision to the Standard Specification is needed because Platt's Oilgram no longer publishes prices for Billings, MT and does not regularly publish diesel prices.
4. Those impacted by the change include:

MDT Construction Administration, Contractors

5. The following individuals were consulted and/or involved in developing the proposed revisions:

CAS Bureau

*It is requested that written comments on **the proposed revisions only**, be returned to mdtspecifications@mt.gov no later than November 30, 2006.*

DISTRIBUTION:

Loran Frazier
Jim Walther
Eng. Bureau Chiefs
District Administrators

Dist. Const. Engineers
MDT Legal
Construction Reviewers
Materials Lab Supervisors

FHWA
MCA

109.11 FUEL PRICE ADJUSTMENT

Provide the Engineer a list of up to ten contract items that will be subject to fuel price adjustment at the Pre-construction Conference or by the Notice to Proceed Date, whichever comes first. Provide diesel fuel, propane fuel and gasoline fuel costs for the respective contract items. The accumulated diesel fuel, propane fuel and gasoline fuel costs may not exceed 20 percent of the contract unit price without justification acceptable to the Engineer. Items measured on a lump sum basis will not be eligible for fuel price adjustment.

Adjustments will be calculated using the increase or decrease between the base price and the monthly average price at the time the contract items are added to the progress estimate. The base price for the contract will be the average of the high and low price for the five **business** days before the bid opening. The base price for propane fuel will be the base price for diesel fuel divided by the difference in BTU/hr for each fuel, or 1.5455 BTU/hr. The monthly average price will be the average of the high and low prices on Wednesday of each week in the adjustment period taken from Platt's Oilgram Price Report, or other fuel price report determined by the Department for unleaded gasoline and low sulfur diesel fuel. The average price for propane fuel will be the average monthly price for diesel fuel divided by 1.5455. The adjustment period for fuel price is from the Wednesday of the full week before the beginning of the estimate cycle to the Wednesday of the full week prior to the next estimate cycle. If the estimate cycle extends beyond the monthly estimate period, only the fuel prices from the month in which the item is added to the estimate will be used to generate the average price.

Adjustments will be made only when the monthly average price is \$0.25 more or less than the base price. The adjustments will be for the amount exceeding \$0.25.

The price adjustment for each type of fuel will be the percent change from the base price (BP) to the monthly average price (AP) multiplied by the quantity (Q) of the item added to the progress estimate, multiplied by the fuel cost (FC).

Adjustments will be according to the following formulas:

$$Increase = \left(\frac{AP - BP}{BP} - 0.20 \right) * FC * Q$$

$$Decrease = - \left(\frac{BP - AP}{BP} - 0.20 \right) * FC * Q$$

Where:

AP = Monthly Average Price

BP = Base Price

FC = Fuel Cost

Q = Quantity

Adjustments will be calculated for each type as described without regard to the grade or amount of fuel actually used. The total of the fuel price adjustments will be added to, or subtracted from, the monthly progress estimate.